

STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL SERVICES DIVISION  
P. O. BOX 942850  
Sacramento, CA 94250-5878

DATE: December 22, 2017

PERSONNEL LETTER #17-031

TO: All Agencies/Campuses in the Uniform State Payroll System

FROM: Debra Spellman, Chief  
Personnel/Payroll Services Division

**RE: AFFORDABLE CARE ACT SYSTEM (ACAS) YEAR-END CLEAN-UP**

The State Controller's Office (SCO) has made system changes to ensure better accuracy for Affordable Care Act (ACA) reporting to the Internal Revenue Service (IRS). This letter provides additional information and directions explaining how to appropriately update records listed on the following ViewDirect reports. Departments/campuses must make the necessary corrections in the Affordable Care Act System (ACAS) prior to December 31, 2017.

- PDA1550A – ACA 6A MASS UPDATE ERROR REPORT FOR 2017
- PDA2050B – EE PERM SEP WITHOUT A 5D OR 6A STATUS CODE

**ACA Status Code 6A Mass Update**

On November 27, 2017, the SCO completed a mass update to the ACAS by populating ACA Status Code 6A for permanent separations effective January 1, 2017, or later. ACA Status Code 6A indicates that an employee has permanently separated; this code replaces ACA Status Code 5D, which indicated that an employee's benefits were canceled due to a permanent separation. ACA Status Code 6A is required in ACAS for all permanent separations and can be entered after ACA Status Codes 1A, 1C, 2A, 2B, 2D, 3A, 3B, 4A, 4B, 5A, 5B, and 5C.

**Mass Update Fallout Report – PDA1550A**

The SCO published ViewDirect report PDA1550A – ACA 6A MASS UPDATE ERROR REPORT FOR 2017 on December 4, 2017. The report lists all records that the mass update program rejected. When reviewing rejected employee records, be sure to check all permanently separated position sequences for appropriate ACA Status Codes. Records may have been rejected for one or more of the reasons listed below; use the action included to correct each record.

1. Inputting ACA Status Code 6A would have caused an out of sequence transaction
  - *Reason:* The employee has an ACA Status Code with an effective date that is later than the expected effective date of the ACA Status Code 6A. Inputting ACA Status Code 6A would result in the transactions being out of sequence so the mass update program rejected the record.
  - *Action:* Review the employee's employment history and ensure that the history in ACAS is correct. If it is incorrect, make updates as necessary, including adding ACA Status Code 6A effective the first calendar day of the month following the month of the employee's separation.

- *Example:* Employee separated 3/31/2017 and their benefits ended 4/30/2017. Per prior instruction from SCO, the Human Resource (HR) office keyed ACA Status Code 5D effective 4/30/2017. The mass update program was unable to update the record because the correct effective date of the 6A would have been 4/1/17 and would have caused an out of sequence transaction.

<i>Effective Date</i>	<i>ACA Status Code</i>	
<del>4/1/2017</del>	<del>6A</del>	← Mass update rejected
4/30/2017	5D	
2/1/2016	3A	
2/1/2016	1A	
1/1/2016	2D	

Assuming all other ACA Status Codes in the employee's history have been entered appropriately, an ACA Status Code 5D that was entered correctly prior to the introduction of ACA Status Code 6A is a valid entry. In this example, no further action is necessary.

- *Note:* ACAS no longer allows ACA Status Code 5D as a new entry. If you must void an ACA Status Code 5D to correct a record, then the system will not allow Status Code 5D to be re-entered. In this situation, enter ACA Status Code 6A to indicate a permanent separation on the corrected record. See pages 32 & 33 of the ACAS Job Aid ([https://sco.ca.gov/Files-PPSD/ACAS\\_Scenario\\_Specific\\_JobAid.pdf](https://sco.ca.gov/Files-PPSD/ACAS_Scenario_Specific_JobAid.pdf)).

- The most recent ACA Status Code in ACAS was 6A
  - *Reason:* ACA Status Code 6A and the auto-population program to add ACA Status Code 6A were already in place when the mass update program ran. This resulted in some records identified in the mass update program to already have an ACA Status Code 6A.
  - *Action:* Review the employee's employment history and ensure that the history in ACAS is correct. If it is correct, no update is necessary. If it is incorrect, make updates as necessary, including entering ACA Status Code 6A effective the first calendar day of the month following the month of the employee's separation.
- The employee's position number did not match
  - *Reason:* Between November 27, 2017, and the time that the mass update was processed, the employee's position was updated. This resulted in the record rejecting because the position information did not match.
  - *Action:* Review the employee's employment history record and payroll records to determine the appropriate benefit status. Enter the appropriate ACA Status Code(s) into ACAS, including ACA Status Code 6A effective the first calendar day of the month following the month of the employee's separation.
- The most recent ACA Status Code was blank
  - *Reason:* ACA Status Code 6A indicates that an employee has permanently separated. Every employee must have an ACA Status Code entered into ACAS effective the first date of their employment. HR personnel are to update the employee's ACAS record as the employee's benefit status changes. It is not possible for an ACA Status Code 6A to be the employee's only ACA Status Code during their employment.

- *Action:* Review the employee's employment history record and payroll records to determine the appropriate benefit status for the term of their employment. Enter the appropriate ACA Status Code(s) into ACAS, including ACA Status Code 6A effective the first calendar day of the month following the month of separation.

### **Updated Compliance Report – PDA2050B**

The SCO released compliance report PDA2050B – EE PERM SEP WITHOUT A 5D OR 6A STATUS CODE on December 1, 2017, with an update to include any employee who has permanently separated, but does not have an ACA Status Code 5D or 6A. HR offices may have found that the update resulted in some employees who separated in 2015 and 2016 displaying on the report, not just employees who separated in 2017. The addition of these new records is intentional and accurate.

The SCO reports ACA data to the IRS based on the data in ACAS. In 2015 and 2016 reporting, only employees who separated from State service with benefits were indicated as having left State service on the report provided to IRS. This is because HR offices were only instructed to key Status Code 5D if an employee's benefits were canceled (after a 3A or 3B); all other benefit statuses were untouched after an employee separated because there were no benefits to indicate as canceled with ACA Status Code 5D. For example, the compliance report now lists employees who declined health benefits (ACA Status Code 4A) and then permanently separated in 2015.

The intent of ACA Status Code 6A is to indicate when an employee has separated, regardless of the employee's benefit status prior to separation. This change helps us to report more accurately to the IRS and prepares us for sending corrected 1095-Cs beginning in 2018.

### **Recommended Action**

Many HR offices have expressed concern about being able to correct all of the errors on compliance report PDA2050B before the end of the year. The SCO suggests that HR offices first correct the errors for those employees who separated in December 2016 or later. Then, return to the additional employees listed on the report at the beginning of the year. This will help to ensure that the 2017 reporting is as accurate as possible. Once HR personnel make corrections, the error will not display on future listings of PDA2050B.

### **Common Help Desk Questions**

The SCO and the California Department of Human Resources have walked HR personnel through multiple concerns since the release of Personnel Letter #2017-027 ([https://www.sco.ca.gov/Files-PPSD-Letters/2017\\_e17-027.pdf](https://www.sco.ca.gov/Files-PPSD-Letters/2017_e17-027.pdf)). Below is recap of the types of questions or concerns received and appropriate actions for each. We hope this clarifies action needed by HR offices.

### **Out of Sequence Transactions**

*Concern:* ACAS does not allow a user to make an entry that will result in an out of sequence transaction. HR personnel are finding records on the mass update fallout report (PDA1550A) that are the result of an out of sequence transaction. HR personnel are also finding records on compliance report PDA2050B that require a Status Code 6A, but the system doesn't allow the entry because it would cause transactions to be out of sequence.

*Action:* The only way to correct the records is to void the current ACA Status Codes up until the last correct ACA Status Code and then re-enter the appropriate ACA Status Codes in order of the effective dates. For example:

- Employee is hired 4/1/2016 in a non-benefits eligible position (position A). ACA Status Code 2A is keyed effective 4/1/2016.
- Employee separates from Position A effective 7/26/2016.
- Employee is hired 2/1/2017 in a non-benefits eligible position (position B). ACA Status Code 2A is keyed effective 2/1/2017.

Due to the recent changes in ACAS, the employee now needs ACA Status Code 6A to be entered effective 8/1/2017. See the appropriate corrections below.

**Original Entries –**

<i>Effective Date</i>	<i>ACA Status Code</i>	
2/1/2017	2A	← Mass Update rejects ACA Status Code 6A effective 8/1/2016 because a later entry has already been keyed
4/1/2016	2A	

**Corrected Entries –**

<i>Effective Date</i>	<i>ACA Status Code</i>	
2/1/2017	2A	
2/1/2017	2AV	← This transaction was voided so that ACA Status Code 6A could be entered
8/1/2016	6A	
4/1/2016	2A	

**Use of ACA Status Code 6A**

**Concern:** HR offices have expressed confusion about why compliance report PDA2050B or the mass update fallout report lists a particular employee when that employee did not have benefits.

**Action:** ACA Status Code 6A indicates that an employee has permanently separated and replaces ACA Status Code 5D, which indicated that an employee's benefits were canceled due to a permanent separation. For the purposes of ACA Status Code 6A it does not matter whether the employee had benefits or not. To correct the error, ensure that ACA Status Code 6A is either auto-populated in the nightly process following a permanent separation being keyed into Employment History, or manually enter ACA Status Code 6A in ACAS for all permanent separations. ACAS will allow ACA Status Code 6A after the below ACA Status Codes.

<b>1A</b> Health benefits offered	<b>1C</b> COBRA coverage offered	
<b>2A</b> Employee not eligible for health benefits	<b>2B</b> Employee in a control period	<b>2D</b> Employee in a waiting period
<b>3A</b> Health benefits accepted	<b>3B</b> Health benefits accepted late	
<b>4A</b> Health benefits declined	<b>4B</b> Health benefits administratively declined	
<b>5A</b> Health benefits administratively canceled	<b>5B</b> Health benefits voluntarily canceled	<b>5C</b> Health benefits temporarily suspended
<b>6A</b> Employee permanently separated		

**Updates to System Edits and Audits**

**Concern:** ACAS now prevents users from making entries previously accepted into the system.

**Action:** Effective November 17, 2017, the SCO updated the criteria for ACA Status Code sequencing. This change resulted in certain previously allowed entries now resulting in an error message. This change helps ensure data entered into ACAS is correct when initially entered, which will ultimately reduce the number of corrections provided to the IRS. Below are the key areas of change.

- ACA Status Code 4A (health benefits declined) after ACA Status Code 5B (health benefits voluntarily canceled)
  - This is no longer a valid entry. There is no need to key ACA Status Code 4A to identify that the employee has declined benefits after ACA Status Code 5B. ACA Status Code 5B indicates that the employee voluntarily canceled their benefits.
- ACA Status Code 1A (health benefits offered) after ACA Status Code 4B (health benefits administratively declined)
  - This is no longer a valid entry. If an employee does not turn in their benefit election paperwork promptly, resulting in ACA Status Code 4B, the original offer of benefits is still valid. If an employee elects to begin benefits at a later date or during open enrollment, there is no need to key ACA Status Code 1A (health benefits offered); simply key ACA Status Code 3A or 3B, as appropriate.
- ACA Status Code 6A (employee permanently separated) after ACA Status Code 5C (health benefits temporarily suspended)
  - HR personnel were previously required to call ACA Online Support for employees whose health benefits were temporarily suspended and did not return to work prior to separating. The help desk walked them through next steps because ACAS would not accept ACA Status Code 5D (health benefits canceled) after ACA Status Code 5C. This is no longer the case. In this situation, HR personnel should key ACA Status Code 6A immediately following ACA Status Code 5C.

The table below identifies ACAS Status Codes that will result in a rejection and error message when entered.

Current ACA Status Code	Will be rejected with error message when entered after current ACA Status Code									
	1A	1C	2D	3B	5A	5B	5C			
1A	1A	1C	2D	3B	5A	5B	5C			
1C	1A	1C	3A	3B	4A	4B	5A	5B	5C	
2A	1A	1C	2A	3A	3B	4A	4B	5B	5C	
2B	1A	1C	2B	3A	3B	4A	4B	5B	5C	
2D	1C	2D	3A	3B	4A	4B	5A	5B	5C	
3A	1A	1C	2D	3A	3B	4A	4B			
3B	1A	1C	2D	3A	3B	4A	4B			
4A	1A	1C	2D	3B	4A	4B	5A	5B	5C	
4B	1A	1C	2D	4A	4B	5A	5B	5C		
5A	1A	3A	3B	4A	4B	5A	5B	5C		
5B	1A	1C	2D	3B	4A	4B	5A	5B	5C	
5C	1A	1C	2D	3B	4A	4B	5C			
6A	1A	1C	3A	3B	4A	4B	5A	5B	5C	6A
[BLANK]	1A	1C	3A	3B	4A	4B	5A	5B	5C	6A

For questions regarding compliance reports, the ACA Status Code 6A mass update, or any other inquiries related to ACAS, contact the ACA Online Support via phone at (916) 322-3770 or by emailing [acasupport@sco.ca.gov](mailto:acasupport@sco.ca.gov).

DS:SH:ACAS